

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR

C O N F I D E N T I A L STATE 103681

STADIS////////////////////

E.O. 11652: GDS

TAGS: ENRG, ID

SUBJECT: INDONESIA LNG FOR CALIFORNIA

REF: A. STATE 101478 (NOTAL) B. KUALA LUMPUR 2795 (NOTAL)

1. O'ROURKE OF SOUTHERN CALIFORNIA GAS CO. (A PACIFIC LIGHTING CO. SUBSIDIARY) REPORTS AGREEMENT WITH PERTAMINA FOR VISIT BY RAY TODD AND HIMSELF WEEK OF JUNE 6. BOTH SADLI AND HARYONO WILL BE AVAILABLE. PACIFIC LIGHTING LETTER REQUESTING CONTRACT EXTENSION TO OCT 6 HAS BEEN APPROVED.

2. TODD/O'ROURKE WILL DEPART MAY 19/20, ARRIVING FIRST IN AUSTRALIA, WHERE THEY WILL DISCUSS POSSIBLE FUTURE PURCHASE OF PROPANE AND GAS FROM NORTHWEST SHELF. SHELF MAY PRODUCE EXPORTS UP TO 800 MILLION CUBIC FEET PER DAY
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(290 BILLION CUBIC FEET PER YEAR), MUCH OF WHICH MAY GO TO JAPAN IN ANY EVENT. TODD/O'ROURKE WILL NEXT PROCEED TO KUALA LUMPUR TO DISCUSS POSSIBLE FUTURE PURCHASE OF SARAWAK GAS, WHOSE AVAILABILITY TO PG AND E (PER REF B) PROJECTED IN 100 BCF PER YEAR RANGE. PACIFIC LIGHTING INTEREST CONTINUES HIGH IN LNG SOURCES OTHER THAN INDO-NEsia, BECAUSE 1) IT WOULD BE SHARING ARUN GAS WITH

PACIFIC GAS AND ELECTRIC, 2) NEW USG ENERGY PLAN HAS

RAISED SERIOUS QUESTIONS ABOUT FUTURE OF ITS NEW MEXICO COAL GASIFICATION PROJECT, AND 3) BOTH NORTH SLOPE AND COOK INLET GAS SOURCES IN ALASKA ARE STILL A GOOD DISTANCE FROM REALIZATION.

3. FPC'S TRUNKLINE DECISION NOW AT HAND. COPY WILL BE POUCHED. COST PASS-THROUGH ISSUE HERE IS NOT FULLY COMPARABLE TO PACIFIC LIGHTING CASE, BECAUSE PRICE CONCERNED IS THAT WHICH TRUNKLINE'S SUBSIDIARY RECEIVING AND REGASIFYING LNG CHARGES TRUNKLINE GAS COMPANY ITSELF, A PIPELINE COMPANY SELLING INTERSTATE TO SEVERAL UTILITIES. BUYER IS NOT AN INTRASTATE UTILITY, LIKE SOUTHERN CALIFORNIA AND PG AND E. IN ANY EVENT, COMMISSION SET ASIDE FPC STAFF'S ASSERTION THAT 3 DOLS AND 37 CENTS PRICE TO PIPELINE WAS NOT BASED ON FULLY SUBSTANTIATED COSTS (AS IN PACIFIC LIGHTING CASE) AND FOUND PRICE TO BE "IN THE PUBLIC CONVENIENCE AND NECESSITY". COMMISSIONERS RECOGNIZED THEY WOULD HAVE TO PERMIT ADJUSTMENTS UPWARD AND DOWNWARD IN RATES CHARGED BY TRUNKLINE SUBSIDIARY, REFLECTING "CHANGES IN PRUDENTLY INCURRED COSTS FROM THE OPERATIONS OF TRUNKLINE LNG (THE SUBSIDIARY), SONATRACH AND LACHMAR SHIPPING, AND SONATRACH'S OPERATIONS IN ALGERIA". ANY CHANGE IN INITIAL 3 DOLS AND 37 CENTS RATE, HOWEVER, "WILL NECESSITATE TRUNKLINE LNG MAKING A FILING UNDER SECTION 4 OF THE NATURAL GAS ACT AND SECTION 154.63 OF THE REGULATIONS SHOWING THE PRUDENCY AND REASONABLENESS
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OF ANY INCREASED COST DURING ANY PHASE OF THE DELIVERY OF THE GAS FROM THE ALGERIAN WELLS TO TRUNKLINE'S EXISTING PIPELINE SYSTEM". TO DO OTHERWISE, WOULD BE AN ABDICATION OF COMMISSION'S DUTY, AS A RECENT COURT DECISION HAS HELD. ALGERIAN REACTION TO THIS FPC DECISION NOT YET AVAILABLE.

4. USIA IS SENDING FOUR COPIES OF NEW NATIONAL ENERGY PLAN UNDER ITS SIGNIFICANT DOCUMENTS PROGRAM TO USIS LIBRARY. CHRISTOPHER

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